



Earned Income Credit Rewards Lower-Income Workers

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The federal government has a plan for putting up to \$4,300 into the pockets of lower-income workers. The plan is called the Earned Income Credit (EIC). Its purpose is to reward working families and give added income to those who may need it. You do not have to owe any income tax to be eligible, but you do need to file an income tax return.

Limits and maximums

Families with two or more qualifying children and an adjusted gross income up to \$34,458 if filing as single, head of household, or qualifying widow(er) or \$35,458 if married filing jointly may be eligible for up to \$4,300. The maximum amount is paid to those with income between \$10,750 and \$14,050, or \$15,050 if filing jointly.

Families with only one qualifying child and an adjusted gross income of up to \$30,338 if filing as single, head of household, or qualifying widow(er) or \$31,338 if married filing jointly may be eligible for up to \$2,604. This maximum amount is paid to those with income between \$7,650 and \$14,050, or \$15,050 if filing jointly.

Workers between the ages of 25 and 64 with no qualifying children but with an adjusted gross income of up to \$11,490 if filing as single, head of household or qualifying widow(er) or \$12,490 if married filing jointly may be eligible for up to \$390. The maximum amount is paid to those with income between \$5,100 and \$6,400, or \$7,400 if filing jointly.

What are the requirements?

- You must have income from wages, salaries, and tips, or net income from self-employment.
- Your investment income cannot exceed \$2,650, and you cannot file Form 2555 or Form 2555-EZ.
- You cannot count income from interest, dividends, alimony, child support, foster care payments, welfare benefits, workers' compensation, veterans' benefits, social security benefits, pensions, annuities, and most scholarships and fellowships as earned income.
- You must be a U.S. citizen and have lived in the United States for more than half the year or a resident alien and lived in the United States for the whole year.
- You cannot file for the EIC if your tax filing status is married filing separately.
- You, your spouse, and qualifying children must have valid social security numbers.



- You must file a Form 1040A or Form 1040 federal income tax return with Schedule EIC.

Qualifying children

A qualifying child must be under the age of 19, or under the age of 24 if a full-time student, or any age if totally and permanently disabled.

A qualifying child may be a son, daughter, stepson, stepdaughter, eligible foster child, or a descendant of any of these who meets the age requirements above.

A qualifying child could also be a brother, sister, stepbrother, stepsister, or a descendant of any of these whom the taxpayer cares for as his or her own child and who meets the age requirements above.

A qualifying child cannot be claimed by more than one taxpayer and must have lived with you in the United States for more than half the year.

Among divorced parents, only one parent can claim a child as his or her qualifying child. Several qualifying children may be split between the parents, or all may be claimed by one or the other parent.

If divorced parents dispute the right to claim a child as one or the other's qualifying child, the parent with whom the child spent most of the year or, if this is equal, the parent whose adjusted gross income is the highest has the right to claim the child.

Filing for the EIC

In general, the EIC does not affect eligibility for food stamps, SSI, Medicaid, or low-income housing allowances. It may affect TANF benefits if the funds are not spent within a certain time period, thus becoming an asset that could exceed allowable limits.

If you expect to be eligible for the EIC in 2005, you may file Form W-5 with your employer to receive 2005 EIC payments in advance. Ask your employer or contact the IRS for Form W-5.

You can receive free assistance in filing for the EIC from the IRS, who will figure the credit for you, or volunteer tax preparers (VITA), who will help you to prepare and file your income tax returns.

Resources and assistance

To hear prerecorded information about the EIC, call 1-800-829-4477 and request topic number 601. To obtain IRS publications and tax forms, including Pub 596, Earned Income Credit, and Schedule EIC, call 1-800-829-3676 or visit www.irs.gov. To ask the IRS questions regarding the EIC or your tax return, call 1-800-829-1040. To locate volunteer tax preparers near you, call your local directory of community services or look for announcements in local newspapers.